**Prepaid payment instruments** are methods that facilitate purchase of goods and services against the value stored on such instruments. The value stored on such instruments represents the value paid for by the holder, by cash, by debit to a bank account, or by credit card.[[1]](https://en.wikipedia.org/wiki/Prepaid_Payment_Instruments_in_India#cite_note-RBI-1)

The prepaid instruments can be issued as [smart cards](https://en.wikipedia.org/wiki/Smart_card), [magnetic stripe cards](https://en.wikipedia.org/wiki/Magnetic_stripe_card), internet accounts, [online wallets](https://en.wikipedia.org/wiki/Online_wallet), mobile accounts, mobile wallets, [paper vouchers](https://en.wikipedia.org/wiki/Voucher) and any such instruments used to access the prepaid amount.

Categories of Prepaid Payment Instruments

The prepaid payment instruments that can be issued in the country are classified under following categories:[[1]](https://en.wikipedia.org/wiki/Prepaid_Payment_Instruments_in_India" \l "cite_note-RBI-1)

**Closed System Payment Instruments**

These are payment instruments issued by a person for facilitating the purchase of goods and services from him/her/it. Closed wallets are wallets which are issued by a company to a consumer for buying goods and services exclusively from that company. Examples: [Bigbasket](https://en.wikipedia.org/w/index.php?title=BigBasket&action=edit&redlink=1" \o "BigBasket (page does not exist)) Wallet, [Cleartrip](https://en.wikipedia.org/wiki/Cleartrip" \o "Cleartrip) Wallet [[2]](https://en.wikipedia.org/wiki/Prepaid_Payment_Instruments_in_India#cite_note-:0-2)

**Semi-Closed System Payment Instruments**

These payment instruments are redeemable at a group of clearly identified merchants that contract specifically with the issuer to accept the payment instrument. These instruments do not permit cash withdrawal or redemption by the holder. Example: [Oxigen Wallet](https://en.wikipedia.org/wiki/Oxigen_Wallet" \o "Oxigen Wallet),[[2]](https://en.wikipedia.org/wiki/Prepaid_Payment_Instruments_in_India" \l "cite_note-:0-2) [Mobikwik](https://en.wikipedia.org/wiki/MobiKwik" \o "MobiKwik) Wallet[[2]](https://en.wikipedia.org/wiki/Prepaid_Payment_Instruments_in_India#cite_note-:0-2)

**Semi-open System Payment Instruments**

These are payment instruments that can be used to purchase goods and services at any card-accepting merchant locations (Point of sale terminals). These instruments do not permit cash withdrawal or redemption by the holder.

**Open System Payment Instruments**

These payment instruments can be used for purchase of goods and services and also permit cash withdrawal at ATMs, Merchant Local Locations, and automated business correspondents. Examples: [Visa](https://en.wikipedia.org/wiki/Visa_Inc.), [Mastercard](https://en.wikipedia.org/wiki/MasterCard" \o "MasterCard), [RuPay](https://en.wikipedia.org/wiki/RuPay" \o "RuPay) [[2]](https://en.wikipedia.org/wiki/Prepaid_Payment_Instruments_in_India#cite_note-:0-2)

**Mobile Prepaid Instruments**

These are prepaid talk time instruments issued by mobile service providers. This talk time value can also be used to purchase 'value added service' from the mobile service provider or third-party service providers.

Eligibility

1. Banks and [Non-Banking Financial Companies (NBFC)](https://en.wikipedia.org/wiki/Non-banking_financial_company), who comply with the eligibility criteria, would be permitted to issue all categories of prepaid payment instruments.
2. Only banks permitted to provide [Mobile Banking](https://en.wikipedia.org/wiki/Mobile_Banking) Transactions by the [Reserve Bank of India](https://en.wikipedia.org/wiki/Reserve_Bank_of_India) shall be permitted to launch mobile based prepaid payment instruments.
3. Other entities would be permitted to issue only closed system prepaid payment instruments and semi-closed system prepaid payment instruments.
4. Mobile Service Providers are permitted to issue mobile prepaid value. In addition to talk-value the use of such prepaid value as a payment instrument shall be restricted to the purchase of only such value added digital contents or services for use on the mobile phones. The use of mobile prepaid value for purchase of other goods and services shall not be permitted.

11. Transactions Limits

11.1 There is no separate limit on purchase of goods and services using PPIs and the holder is allowed to use the PPI for these purposes within the overall PPI limit applicable.

11.2 Transaction limits and monthly caps are, however, applicable on funds transfers permitted in PPIs under Domestic Money Transfer (DMT) Guidelines. PPI issuers should ensure that all incoming funds to a PPI under DMT are within the overall permissible limits for that category of PPI.

11.3 Refunds in case of failed / returned / rejected / cancelled transactions may be applied to the respective PPI account immediately even if such application of funds results in exceeding the limits prescribed for that category of PPI. However, PPI issuers will be required to maintain complete details of such returns / refunds etc. and be in readiness to provide them as and when called for. Further, PPIs issuers will be required to put in place necessary systems that enable them to monitor frequent instances of refunds taking in place in specific accounts and if necessary / called for be in a position to substantiate with proof for audit purposes to the regulator.

11.4 In the case of open system prepaid payment instruments issued by banks in India, cash withdrawal at POS is permitted upto a limit of Rs.1000/- per day subject to the same conditions as applicable hitherto to debit cards (for cash withdrawal at POS).

**4. Exemption**

4.1 **Foreign Exchange Pre-paid Payment Instruments:** Persons authorized under Foreign Exchange Management Act (FEMA) to issue foreign exchange pre-paid payment instruments and where such persons issue such instruments as participants of payment systems authorised by the Reserve Bank of India, are exempt from the purview of these guidelines. The use of such payment instruments shall be limited to permissible current account transactions and subject to the prescribed limits under the Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended from time to time.

**5. Capital Requirements**

5.1 Banks and Non-Banking Financial Companies which comply with the Capital Adequacy requirements prescribed by Reserve Bank of India from time-to-time, shall be permitted to issue pre-paid payment instruments.

5.2 All other persons, seeking authorisation henceforth, shall have a minimum paid-up capital of Rs. 500 lakh and minimum positive net worth of Rs. 100 lakh at all the times. Necessary instructions, if any, for the existing PPI issuers for compliance of enhanced capital requirements will be notified separately.

5.3 Applicant companies having FDI/FII should meet the minimum capital requirement as applicable under Consolidated FDI policy guidelines of Government of India.

5.4 Only companies incorporated in India will be eligible to apply for authorisation.

**6. Safeguards against Money Laundering (KYC/AML/CFT) Provisions**

6.1 The guidelines on Know Your Customer/Anti-Money Laundering/Combating Financing of Terrorism guidelines issued by the Reserve Bank of India to banks, from time to time, shall apply mutatis mutandis to all the persons issuing pre-paid payment instruments.

6.2 As PPI issuers are operating a Payment System, provisions of Prevention of Money Laundering Act, 2002 and Rules framed thereunder, as amended from time to time, are also applicable to PPI issuers. Necessary systems shall be put in place to ensure compliance with these guidelines.

6.3 The use of pre-paid payment instruments for cross border transactions shall not be permitted except for the payment instruments provided at paragraph 4.1 of the guidelines.

6.4 Persons issuing pre-paid payment instruments shall maintain a log of all the transactions undertaken using these instruments. This data should be available for scrutiny by the Reserve Bank or any other agency / agencies as may be advised by the Reserve Bank. These persons shall also file Suspicious Transaction Report (STR) to Financial Intelligence Unit – India (FIU-IND).

**9. Issuance and reloading of Pre-paid Payment Instruments**

9.1 All persons authorised to issue pre-paid payment instruments by Reserve Bank of India are permitted to issue reloadable or non-reloadable pre-paid payment instruments depending upon the permissible category of PPIs.

9.2 Banks are permitted to issue and reload such payment instruments at their branches and ATMs against payment by cash/debit to bank account/credit card and through their business correspondents appointed as per the guidelines issued by the Reserve Bank in this regard. Banks are also permitted to issue and reload semi-closed prepaid payment Instruments through agents (other than BCs) by payment by cash/debit to bank account /credit card subject to the following conditions:-

1. The issuer may carry out proper due diligence of the persons before appointing them as agents for sale of such instruments.
2. The issuer shall be responsible for all their payment instruments issued by their agents.
3. The pre-paid payment instrument issuers shall be responsible as the principal for all the acts of omission or commission of their agents.

9.3 Other persons shall be permitted to issue and reload such payment instruments through their authorised outlets or through their agents by payment by cash/debit to bank account /credit card subject to the following conditions:-

1. The issuer may carry out proper due diligence of the persons appointed as authorized agents for sale of such instruments.
2. The issuer shall be responsible for all their payment instruments issued by the appointed agents.
3. The pre-paid payment instrument issuers shall be responsible as the principal for all the acts of omission or commission of their agents.